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October 4, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **GAY AND LESBIAN ADOLESCENT SOCIAL SERVICES, INC. CONTRACT COMPLIANCE REVIEW – A MENTAL HEALTH SERVICE PROVIDER**

We have completed a contract compliance review of Gay and Lesbian Adolescent Social Services, Inc. (GLASS or Agency), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with GLASS, a private non-profit community-based organization, which provides services to clients in Service Planning Area 5. Services include interviewing program clients, assessing their mental health needs, and developing and implementing a treatment plan. The Agency's headquarters is located in the Second District.

Our review focused on approved Medi-Cal billings. DMH paid GLASS a provisional rate between $1.29 and $3.08 per minute of staff time ($77.40 to $184.80 per hour) and $83.84 per day for services. However, GLASS is ultimately reimbursed for their actual costs reported at year-end. GLASS' contract was for approximately $2.2 million for Fiscal Year 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether GLASS provided the services outlined in their contract with the County. We also evaluated whether the Agency achieved planned service levels. Our monitoring visit included reviewing a sample of GLASS' accounting records and documentation to support the Agency's compliance with the fiscal requirements of its DMH contract. We also reviewed a sample of GLASS' billings, client charts and personnel and payroll records to determine GLASS' compliance with DMH program requirements. In addition, we interviewed staff from GLASS and a sample of clients or their parents/guardians.

Results of Review

GLASS did not maintain sufficient working capital to pay its bills and did not always follow the provisions of their County contract. Specifically,

- As of June 30, 2006, GLASS had over $1 million in outstanding loans and lines of credit. The Agency borrowed the funds to meet their cash flow needs. In addition, their accounting records reported a negative net asset balance of $499,000.

- GLASS did not pay their payroll taxes timely due to insufficient cash. As a result, GLASS paid approximately $45,000 in interest and penalties to the Internal Revenue Service (IRS) between March 31, 2006 and December 31, 2006.

- GLASS billed DMH $29,919 for expenditures and services that were undocumented or unallowable.

- GLASS inappropriately included $183,565 for interest and penalties in their indirect cost allocation, which is prohibited by the contract.

- The Agency did not always provide the required number of program hours to clients in their Day Rehabilitation Program.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with GLASS on April 26 and June 18, 2007. In their attached response, the Agency disagreed with some of the recommendations. At both meetings, we provided documentation to support our findings. For example, at the June 2007 meeting, the Agency's representative acknowledged that they inappropriately included $183,565 in interest and penalties in the overhead costs

charged to DMH. He also stated that subsequent to our review, GLASS recalculated the overhead allocation that excluded the $183,565.

We discussed the results of our review with DMH management who agreed with the findings in our report. To ensure that the Agency follows the provisions of their DMH contract, DMH needs to work with GLASS to ensure the Agency implements the recommendations in our report.

Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Teresa DeCrescenzo, Executive Director, GLASS, Inc.
Public Information Office
Audit Committee

CONTRACT COMPLIANCE REVIEW
GAY AND LESBIAN ADOLESCENT SOCIAL SERVICES, INC.
FISCAL YEAR 2005-2006

FINANCIAL VIABILITY

Objective

Determine whether Gay and Lesbian Adolescent Social Services, Inc. (GLASS) is financially viable and maintains sufficient working capital to sustain the cost of the program.

Verification

We interviewed GLASS' management and reviewed the Agency's financial records, cash flow, liabilities and earnings.

Results

GLASS did not maintain sufficient working capital to pay its bills, which limits its financial viability. Specifically:

- As of June 30, 2006, GLASS had over $1 million in outstanding loans and lines of credit. The Agency borrowed the funds to meet their cash flow needs. In addition, their accounting records reported a negative net asset balance of $499,000.

- Between March 31, 2006 and December 31, 2006, GLASS did not pay their payroll taxes timely due to insufficient cash. As a result, GLASS paid approximately $45,000 in interest and penalties to the Internal Revenue Service.

- GLASS borrowed cash from the clients' trust fund to meet the Agency's cash flow needs. The Agency owed the clients' trust fund approximately $24,000 as of June 30, 2006.

Recommendations

GLASS management:

1. **Submit a plan to the Department of Mental Health to improve its financial condition including a plan to maintain sufficient working capital to pay its bills.**

2. **Return the clients' funds to the trust fund.**

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed GLASS' Cost Allocation Plan and reviewed a sample of five shared expenditures and lease costs incurred by the Agency to ensure that the expenditures were properly allocated to the Agency's contracts and/or programs. We also interviewed management and reviewed the Agency's documentation to support their allocation of indirect costs billed to the Department of Mental Health (DMH).

Results

GLASS did not maintain a written Cost Allocation Plan. In addition, the Agency inappropriately included $183,565 for interest and penalties in their allocated costs. The contract specifically prohibits the Agency from billing interest and penalties to DMH. It should be noted that GLASS' contract accountant confirmed that the method used by the Agency to allocate costs is incorrect and not consistent with the method used in previous years.

The Agency subsequently recalculated their allocation of indirect costs billed to DMH excluding the interest and penalties but instead using revenue as their allocation base resulting in the same approximate allocation amount as previously allocated. However, using revenue as a basis of allocating costs is not a generally acceptable method of allocating costs because not all programs receive the same amount of funding for the same services. In addition, the Agency did not explain how using revenue as a basis of allocation in this situation ensures that costs are appropriately allocated to the programs that received the benefits of the services.

GLASS also charged DMH the full lease cost of $44,842 for the Atrium location. The location is also used by the Agency to provide non-DMH services. In addition, GLASS allocated their general liability insurance totaling $37,044 evenly between all their programs. GLASS needs to allocate the lease and insurance expenditures based on the benefits that the programs received from the expenditures.

Recommendations

GLASS management:

3. Develop a detailed and equitable Cost Allocation Plan.

4. **Allocate costs to each program on a monthly basis in accordance with the detailed Cost Allocation Plan.**

5. **Review FY 2004-05 and 2005-06 costs charged to DMH programs to ensure all costs were appropriately allocated and resolve the billing discrepancies with DMH.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's financial records and deposited timely in their bank account. Determine whether there are adequate controls over cash.

Verification

We interviewed GLASS' management and reviewed the Agency's records. We also reviewed the Agency's June 2006 bank reconciliation.

Results

GLASS properly recorded and deposited cash receipts timely. In addition, GLASS appropriately reconciled its bank account. However, the preparer and the reviewer did not sign the bank reconciliations.

Recommendation

6. **GLASS management ensure that bank reconciliations are signed by the preparer, and reviewed and approved by a manager that does not have cash handling responsibilities.**

EXPENDITURES

Objective

Determine whether the expenditures are allowable under the County contract, properly documented, and accurately billed. Also, determine whether the building lease amounts charged to the program are appropriate and properly recorded in the Agency's accounting records.

Verification

We reviewed GLASS' financial records and the supporting documentation for 15 expenditures. We compared the lease payments in the accounting records to the amount required by the lease agreements for the Agency's three locations.

Results

GLASS used program funds totaling $22,501 to pay for undocumented and unallowable expenditures. Specifically:

- The Agency did not maintain documentation to support two expenditures totaling $1,010. The Agency explained that one expenditure for $500 related to consulting services and the second expenditure for $510 was used to pay for prom tickets.

- The Agency did not maintain documentation to support $1,920 paid to the lessor at the South La Brea location in FYs 2004-05 and 2005-06.

- Two expenditures, to reimburse an employee for travel expenditures totaling $790, were supported by copies of the invoices rather than the original invoices, as required.

- GLASS charged $134 in late charges to DMH. Late charges are not allowable expenditures.

- The Agency billed $1,900 to DMH for Magic Mountain tickets. However, the supporting documentation did not indicate why the expenditure was necessary and/or how it benefited the mental health program.

Building Lease

GLASS over billed DMH $16,747 in FY 2005-06 for the South La Brea location. Specifically, the lease amount was $160,014 for FY 2005-06 but the Agency billed DMH $176,761.

Recommendations

GLASS management:

7. **Maintain original invoices/receipts to support program expenditures.**

8. **Repay DMH $22,501 for undocumented and unallowable expenditures identified in our report.**

INTERNAL CONTROLS

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations.

Verification

We interviewed Agency personnel and tested transactions in various areas such as cash, expenditures, personnel and payroll.

Results

We identified areas where GLASS needs to improve internal controls over its business operations to ensure that they safeguard program assets and use funds in accordance with the program requirements. Specifically:

Cash

- The Agency did not maintain adequate separation of duties over its cash handling. Specifically, one staff performs the duty of receiving, recording, and depositing checks from DMH.

Expenditures

- GLASS does not mark the original invoices "paid" to prevent re-use. In addition, the Agency does not match the requisition, original invoice and receiving report before they pay expenditures.

- GLASS management did not pre-approve eight (53%) of the 15 expenditures reviewed totaling $7,693.

- GLASS did not maintain documentation to support the receipt of goods/services for nine (60%) of the 15 expenditures reviewed.

- GLASS paid for four (27%) of 15 expenditures without an invoice (one expenditure was paid with no documentation, one was paid based on a flyer for a prom dance and two were paid based on photocopies of the original invoice).

Due to the internal control weaknesses cited above, GLASS paid one vendor twice for the same service. The overpaid amount totaled $480. The vendor subsequently notified GLASS and the Agency canceled the duplicate payment.

Recommendations

GLASS management:

9. **Establish adequate separation of duties over the handling of cash.**

10. **Require that invoices or receipts are marked "paid" to prevent duplicate payments.**

11. **Ensure that expenditures are pre-approved by management using a requisition.**

12. **Ensure that prior to payment the accounts payable staff performs a three-way match of the requisition, original invoice and documentation to support the receipt of goods/services.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether fixed assets and equipment charged to DMH exist, are used in the mental health program and are adequately safeguarded.

Verification

We interviewed staff and reviewed the Agency's fixed assets and equipment listing. We also reviewed the certificate of title for the vehicles purchased using DMH funds.

Results

We verified that GLASS is the owner of record for the two vehicles billed to DMH. GLASS maintained a fixed assets/equipment listing. However, the listing did not contain a unique identifier for each asset.

Recommendation

13. **GLASS management ensure that the fixed asset/equipment listing includes a unique identifier for each asset.**

PAYROLL & EMPLOYEE BENEFITS

Objective

Determine whether payroll and employee benefits expenditures were appropriately charged to the program. In addition, determine whether payroll files are maintained as required.

Verification

We selected a sample of seven employees from the Agency's 176 employees and reviewed the payroll register and timecards for the pay period ending June 30, 2006. In addition, we interviewed the seven employees and reviewed their personnel files.

Results

GLASS billed DMH appropriately for our sample of employees. However, the Agency paid $2,126 in June 2006 for health insurance coverage for ten individuals that were not eligible to receive paid coverage. Specifically:

- Seven individuals were no longer employed by the Agency.
- One individual was a former employee that was eligible to purchase their benefits through the company; however, the monthly premium exceeded the monthly payment by $48.
- One individual was a temporary on-call employee.
- One individual did not work since 2002 but was not terminated by the Agency. Management explained that the employee was on workers' compensation leave. However, GLASS did not provide supporting documentation. The Agency subsequently terminated the employee.

GLASS needs to calculate the total amount paid for employee benefits of ineligible staff and repay the County.

Recommendations

GLASS management:

14. **Ensure that the County is billed only for insurance benefits provided to actual employees in accordance with program requirements.**

15. **Repay the County $2,126 for incorrectly billed health insurance benefits for June 2006. Also, calculate health insurance benefits incorrectly billed for additional months and repay the County.**

BILLED SERVICES

Objective

Determine whether GLASS provided the services billed in accordance with their contract with DMH.

Verification

We judgmentally selected 35 billings totaling 3,946 minutes from 131,094 service minutes and 10 full-day billings from 2,905 service days of approved Medi-Cal billings to DMH during April and May 2006. We reviewed the Progress Notes, Weekly Summaries, Assessments and Client Care Plans maintained in the clients' charts for the

selected billings. The 3,946 minutes and 10 service days represent services provided to 31 program participants. We also traced an additional 200 service days billed to the client attendance sheets to support the services billed.

Although we started our review in August 2006, the most current billing information available from DMH's billing system was April and May 2006.

Results

GLASS utilized client Attendance Sheets to document each clients' presence in the Day Rehabilitation Program. However, GLASS' client Attendance Sheets did not contain the client's signature for 38 (19%) of 200 service days in our sample of Day Rehabilitation Program billings. In addition, GLASS did not provide Progress Notes to support 735 (19%) minutes sampled. The amount over billed totaled $5,292.

GLASS also did not complete eight (23%) of 35 Progress Notes and seven (70%) of ten Weekly Summaries in accordance with the County Contract. Specifically:

- Eight (23%) of 35 Progress Notes, documenting services with more than one staff present during an intervention, did not describe the specific contribution of each staff person and did not include duration of each staff's time.

- Seven (70%) of ten Weekly Summaries for Day Rehabilitation Program services did not document the total time that the client participated in the program each day. Therefore, we were unable to determine whether the client attended at least 50% of the total program hours each day as required.

- Five (50%) of ten Weekly Summaries for Day Rehabilitation Program services did not describe the activities that the client participated in each day during the week as required.

The total number of insufficiently documented service days cited above exceeded the number of insufficiently documented service days reviewed because some of the billing contained more than one deficiency.

Day Rehabilitation Program Duration

The County contract requires that the Agency provide more than four hours of service per day to bill DMH for a full day for the Day Rehabilitation Program. The four hour timeframe does not include time spent for lunch, dinner and breaks. The Agency maintains program schedules to document compliance with this requirement.

GLASS did not always provide the required number of program hours to clients in their Day Rehabilitation Program. Specifically, GLASS' program schedule indicated that their weekend sessions were three hours and thirty minutes excluding a 30 minute lunch break. Although the service duration did not meet the requirements for a full-day billing,

the service may qualify for a half-day billing. However, the Agency does not have an agreement with DMH to provide half-day sessions. The Agency should work with DMH to determine the amount over billed.

Assessments and Client Care Plans

GLASS did not complete an Assessment for three (10%) of 31 clients sampled. In addition, the charts did not contain an Annual Assessment Update for two (6%) of 31 clients sampled, as required by the contract. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. An Annual Assessment Update verifies that services to the client continue to be necessary.

GLASS also did not complete Client Care Plans for 25 (81%) of the 31 participants sampled in accordance with the County contract. Specifically:

- Eighteen Client Care Plans did not contain the clients' signature or written explanations of the clients' refusal or unavailability to sign the plans.
- Seven Charts did not contain Client Care Plans for each type of treatment provided.
- Four charts did not contain Client Care Plans.
- One Client Care Plan did not contain observable and/or quantifiable goals.

The total number of incomplete Client Care Plans cited above exceeded the total number of Client Care Plans reviewed because some of the Client Care Plans contained more than one deficiency.

Recommendations

GLASS management:

16. **Repay DMH $5,292 for amounts over billed.**

17. **Maintain sufficient documentation in the case files to support its compliance with contract requirements for the services billed to DMH.**

18. **Ensure the duration of the Day Rehabilitation exceeds four hours excluding lunch and breaks.**

19. **Work with DMH management to determine the amount over billed for its Day Rehabilitation Program and repay DMH.**

20. Ensure that Assessments and Client Care Plans are completed in accordance with the County contract.

CLIENT VERIFICATION

Objectives

Determine whether the program participants received the services that GLASS billed DMH.

Verification

We interviewed ten participants that the Agency billed DMH for services during the months of April and May of 2006.

Results

The ten program participants interviewed stated that they received services from the Agency and that the services met their expectations.

Recommendation

There are no recommendations for this section.

STAFFING LEVELS

Objective

Determine whether GLASS' ratios for Qualified Mental Health Professional (QMHP) staff to the total number of clients in its Day Rehabilitation Program do not exceed the 1:10 ratio required by the County contract.

Verification

We selected ten days that GLASS billed DMH for its Day Rehabilitation Program and reviewed the client attendance sheets, staff rosters and staff timecards for April and May 2006.

Results

GLASS did not meet the staff ratio requirements for six (60%) of the ten days tested. The staffing ratio maintained by the Agency for the six days averaged 1:21. The Agency did not assign sufficient staff to the program. In addition, the Agency included staff that were not Qualified Mental Health Professionals or staff that were not present for the duration of the program.

Recommendation

21. **GLASS management maintains adequate staff ratios for the Day Rehabilitation Program to comply with the County Contract.**

STAFFING QUALIFICATIONS

Objective

Determine whether GLASS' treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 18 of 32 treatment staff.

Results

One (6%) staff in our sample did not possess the required qualifications to provide the services billed. Specifically, the staff completed an Adult Initial Assessment but was not a Qualified Mental Health Professional.

Recommendation

22. **GLASS management ensure that staff meet the requirements to deliver the services billed.**

SERVICE LEVELS

Objective

Determine whether GLASS' reported service levels varied significantly from the service levels identified in the DMH contract.

Verification

We obtained the FY 2005-06 Cost Report submitted to DMH by GLASS and compared the dollar amount and billed units of service to the contracted units of service identified in the contract for the same period.

Results

Overall, GLASS operated within its contracted amount of $2.2 million. However, within specific service categories, the Agency substantially deviated from contracted service levels without prior written authorization from the DMH Director. Specifically, the

Agency exceeded the contracted service level for Targeted Case Management by 97,000 units (53%), Medication Support Services by 31,000 units (22%) and Crisis Intervention services by 30,000 units (231%). These increases were offset by decreases in Day Rehabilitation and Mental Health Services. Agencies are required to request prior approval from DMH to ensure that the County authorizes all changes in contracted mental health services.

Recommendation

23. Obtain written authorization from DMH prior to deviating from contracted service levels.

GLASS

July 6, 2007

J. Tyler McCauley, Auditor-Controller
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PRESIDENTS EMERITUS

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Dear Mr. McCauley:

Following is our formal response to the findings and recommendations made in your draft report sent to us via email on 6/27/07.

Before addressing the draft report, GLASS would like to comment on certain representations made in the three page cover letter that enclosed the draft report. As indicated in our Cost Allocation Plan response, the allegation that GLASS "inappropriately included $183,565 for interest and penalties in their indirect cost allocation" is not correct. The unallowable $177,019 portion of those costs were segregated and not allocated to any of GLASS' programs.

Further, although GLASS recognizes the need for improvements in its financial operations, GLASS does not believe that the noted instances of non-compliance "indicate that the Agency needs to make substantial changes in order to comply with the County contract." GLASS believes that its DMH program operations have been, and continue to be, in substantial compliance with the County contract.

FINANCIAL VIABILITY

After seven years of flat funding, GLASS is experiencing the same financial stress as other non-profits serving the indigent populations that we serve. Seven years ago, one childcare worker cost an average of $18,000 per year. Today, that same childcare worker costs $22,000 per year, adding nearly a half million dollars to expenses – and that is just one position category that typifies the current state of funding.[1]

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[1] Note that the current State budget includes a 4.95% rate increase for group homes. If the Governor does not veto this increase, GLASS will realize approximately $220,000 in increased revenues as of July 1, 2007.

As the result of one employee injuring herself while walking to her car a block and-a-half from a GLASS facility, the agency Workers Compensation premiums have reached over $400,000 this year.

Auditor-Controller Recommendations:

1. **Submit a plan to the Department of Mental Health (DMH) to improve its financial condition including a plan to maintain sufficient working capital to pay its bills.**

   To remedy the aforementioned stressors, and improve its financial condition, GLASS will:

   - Seek alternative financing of group homes that will enable using some of the equity to ease the cash flow problems.
   - Hire a Chief Operating Officer to establish tighter controls over the financial office.
   - Move agency Administrative offices from the current location, to co-locate with other departments, which will result in a $240,000 annual reduction of expenses.
   - Review current cost control protocols to insure strict adherence to the annual budget.
   - Increase fundraising efforts within the private sector.
   - Shift the focus of the Board of Directors from that of a governance board, to that of a fundraising board.

2. **Return the clients' funds to the trust fund.**

   GLASS is taking action to return all of the client funds into the segregated account. GLASS has never restricted the disbursement of funds to clients when requested.

COST ALLOCATION PLAN

Auditor-Controller Results:

GLASS has maintained a written Cost Allocation Plan that outlines the indirect cost allocation methodology the agency has applied since its inception, but was not able to locate a copy of this document during the audit. As a result, a replacement indirect cost allocation plan document was prepared that has been re-ratified by the GLASS Board of Directors.

GLASS takes exception to the representation that it has "inappropriately included $183,565 for interest and penalties in its allocated costs." Of the $183,565 interest and penalties expense total for the fiscal year ended June 30, 2006,

GLASS specifically segregated and did not allocate $177,019 of that amount. The remaining $6,546 amount that was allocated represented interest charges on a loan that partially financed the acquisition of a group home facility, and is thus allowable under the provisions of OMB Circular No. A-122.

GLASS has demonstrated how its indirect cost allocation methodology appropriately allocates its allowable indirect costs to the programs that received the benefits of such costs. GLASS' "two step" indirect cost allocation methodology includes a "first step" that divides GLASS' total allowable indirect costs into AFDC and non-AFDC program groupings on the basis of their respective revenues. After this initial step, the cost groupings are allocated based on direct labor. GLASS' initial revenue based segregation of indirect costs serves to rectify the inequitable, excessive allocation of indirect costs to AFDC programs that would result from the application of a simplified direct labor or direct program cost allocation approach.

GLASS takes exception to the lease expense allegation concerning the Atrium (Outpatient building). The Atrium location is used solely to recruit and treat clients for the mental health program. Any other staff members co-located at the Atrium from other programs are there because they provide client referrals and services that enhance the mental health program. Mental health services staff use the entire office space all of the time, and we do not believe it is appropriate to allocate any space, which is minimal, to the other programs.

Finally, GLASS believes that its per capita allocation of its general liability insurance premium costs was reasonable, and served to reduce the costs that would have been allocated to the DMH programs under the suggested approach.

Auditor-Controller Recommendations:

3. **Develop a detailed and equitable Cost Allocation Plan.**

   GLASS already has a detailed and equitable indirect Cost Allocation Plan. Nonetheless, GLASS will consult with the appropriate DMH personnel to ensure consensus on the propriety of GLASS' indirect cost allocation approach.

4. **Allocate costs to each program on a monthly basis in accordance with the detailed Cost Allocation Plan.**

   Commencing with the 2007-08 program year, GLASS will perform its indirect cost allocation computations on a monthly basis.

5. **Review FY 2004-05 and 2005-06 costs charged to DMH programs to ensure all costs were appropriately allocated and resolve the billing discrepancies with DMH.**

GLASS will review its program year 2004-05 and 2005-06 costs charged to DMH programs, and reporting for same, and will be available to meet with DMH to resolve any discrepancies.

CASH/REVENUE

Auditor-Controller Recommendations:

6. **Ensure that bank reconciliations are signed by the preparer, and reviewed and approved by a manager that does not have cash handling responsibilities.**

   GLASS's reconciliations are to be prepared and signed by the Chief Financial Officer and reviewed and approved by the Executive Director. In cases where the Executive Director is not available, the reconciliations will be reviewed and approved by the Programs Manager.

EXPENDITURES

Auditor-Controller Recommendations:

7. **Maintain original invoices/receipts to support program expenditures.**

   GLASS's policy is to have original invoices/receipts to support all program expenditures. GLASS makes every effort to ensure this occurs and will keep exceptions (lost invoices, facsimile copies) to a minimum. In most cases, GLASS will not pay an invoice or reimburse for expenses without originals. In a small number of cases, when the expense can be proven as legitimate and it is not possible after several attempts to get an original due to policies of a vendor or under extenuating circumstances, some payments are made without originals, but certainly with copies, to ensure that GLASS's accounts can be always maintained in good standing.

8. **Repay DMH $22,501 for undocumented and unallowable expenses identified in our report.**

   - GLASS reimbursed an employee for $790 in travel expenses with only photocopies of the receipts. The employee was unable to find the original receipts when asked. We verified that the expenditures were legitimate and had not been paid, then decided to reimburse the employee even though original receipts were not available. To do otherwise would have created a hardship for the employee.

- The Magic Mountain tickets were purchased for 9/25/05 expressly for DMH-related activity purposes, although those purposes were not reflected on the initial check request. This and other similar outings provide environments in which valuable socialization skills can be developed. While some of the $1,900 expenditure was for ineligible supervisory staff, the vast majority was for the children. Appendix A consists of sign-in sheets for the day in question. We have signatures for 26 youth and 1 eligible staff member.

- The same argument applies for the Gay Prom. Appendix B consists of sign in sheets for 5/19/06. We have signatures for 21 youth who attended the event.

INTERNAL CONTROLS

Auditor-Controller Recommendations:

9. **Establish adequate separation of duties over the handling of cash.**

   GLASS believes that its collective internal controls over cash receipts are adequate. Notwithstanding that fact, and in response to the audit, GLASS has implemented procedures that segregate the depositing of cash from the receiving and recording.

10. **Require that all invoices are marked "paid" to prevent duplicate payments.**

    In response to the audit, GLASS has implemented procedures to mark all original invoices "paid" to prevent duplicate payments.

11. **Ensure that expenditures are pre-approved by management using a requisition.**

    This is our normal procedure, but was inconsistently implemented during the time sampled by the audit. Managers are required to sign all check requisitions and the accounting department will not pay out the funds without a signature on the requisition.

12. **Ensure that prior to payment the accounts payable staff performs a three-way match of the requisition, original invoice and documentation to support receipt of goods and services.**

    This is our normal procedure, but was inconsistently implemented during the time sampled by the audit. With respect to documentation for receipt of goods, GLASS will collect all packing slips for future shipments and the

accounts payable staff will check for the signature of an authorized person indicating that the goods are actually received.

FIXED ASSETS AND EQUIPMENT

Auditor-Controller Recommendations:

13. **GLASS management ensure that the fixed asset/equipment listing includes a unique identifier for each asset.**

    In response to the audit, GLASS will modify its existing fixed asset/equipment listing to include a unique identifier for each asset.

PAYROLL AND EMPLOYEE BENEFITS

Auditor-Controller Recommendations:

14. **Ensure that the county is billed only for insurance benefits provided for actual employees in accordance with program requirements.**

    Effective the first quarter of 2007, GLASS' human resources department has instituted quarterly audits to ensure that insurance benefits are provided for actual employees and the correct amounts are billed to the Agency. The audit is conducted by the Director of Human Resources. If and when any errors are found, they are immediately rectified and action taken to recoup the discrepant funds either from employees (current or former) or the insurance company in question. The funds are re-deposited into the respective cost center.

15. **Repay the county $2,126 for incorrectly billed health insurance benefits for June 2006. Also calculate health insurance benefits incorrectly billed for additional months and repay the County.**

    GLASS will be available to meet with DMH to reconcile any underpayments and overpayments and will repay any agreed upon amounts.

BILLED SERVICES

Auditor-Controller Recommendations:

16. **Repay DMH $5,292 for amounts overbilled.**

GLASS will be available to meet with DMH to reconcile any underpayments and overpayments and will repay any agreed upon amounts.

17. **Maintain sufficient documentation in the case files to support its compliance with contract requirements for the services billed to DMH.**

With respect to paperwork, it should be noted that as we had been using staff from temp agencies on many levels, during the period sampled in the audit, some paperwork had been inadvertently put in a box and stored as opposed to being filed in the appropriate files. That issue has been rectified and the missing paperwork has now been placed in the respective files. GLASS already completes the CAIA's and the CCCP's in accordance to our contract. As mentioned before, there were some missing documents that we found in a box that had not been filed but those are now in the files.

All staff at GLASS DMH-contracted programs has been given a 2007 Training Manual that, among other things, outlines the File Contents of the DMH Client Files, as well as outlines requirements such as weekly summary's, progress notes, CAIA's, and CCCP's. Examples of each form are included in the training manual. Not only did existing staff get a Training Manual, but all new staff is now trained on the contents of the training manual during their first week of employment prior to providing services.

18. **Ensure the duration of the Day Rehabilitation exceeds four hours excluding lunch and breaks.**

The SDP schedule has always been from 2 p.m.-6:30 p.m., seven days a week. Our schedule in the Training Manual clearly indicates 2-6:30 p.m. We do not provide the clients lunch. The clients group schedules are clearly posted for the SDP indicating a 4.5 hour schedule which clearly is in compliance with the Full Day Program Schedule.

With respect to the time of the audit, it is possible that on the schedule shown during the time of the audit, there were slots incorrectly labeled as breaks. The "breaks" are simply transition time from one group to another so that clients can be directed to the next location, can use the restroom if needed, and so attendance can be taken. Learning how to transition from activity to activity is a socialization skill and is part and parcel of the Day Program service.

19. **Work with DMH management to determine the amount overbilled for its Day Rehabilitation Program and repay DMH.**

GLASS will be available to meet with DMH to reconcile any underpayments and overpayments and will repay any agreed upon amounts.

20. **Ensure that Assessments and Client Care Plans are completed in accordance with the County contract.**

The Staff Training Manual has the guidelines for completing the CAIA assessments and the CCCP's. Since the time sampled in the audit, much stricter guidelines had already been in place. For instance, our staff have to present all new clients at URC (Utilization Review Committee) meetings within 7 days of opening the case, and then they must present a 7-Day Follow Up URC packet with all of the CAIA, and CCCP in it. It is reviewed by the licensed Clinical Supervisor or the Director for DMH Services for clinical congruity, signatures and dates.

STAFFING LEVELS

Auditor-Controller Results:

When fully staffed, GLASS consistently maintains ratio between clients and QMHPs. During the time sampled for the audit, we were experiencing an exceptionally high level of staff turnover, which is no longer the case. As a result, on the weekends, we had been using adjunct staff from the group homes to provide supervision on outings. This issue has been rectified as we have now added additional DMH staff coverage on the weekends to meet our ratio. Since the time sampled for the audit, GLASS typically exceeds the staff ratios.

Auditor-Controller Recommendations:

21. **GLASS maintains adequate staff ratios for the Day Rehabilitation Program to comply with the County contract.**

Appendix A is our current staff sign in sheet which indicates whether a staff member is a QMHP and the time they worked to document that enough staff are present during program hours on any given day.

STAFFING QUALIFICATIONS

Auditor-Controller Recommendations:

22. **GLASS management ensures that staff meets the requirements to deliver the services billed.**

On one occasion, an employee without the qualifications to do so completed the wrong type of assessment. That employee has been retrained, and she no longer does assessments that require other qualifications. This issue was rectified as soon as it was brought to our attention.

SERVICE LEVELS

Auditor-Controller Recommendations:

23. **Obtain written authorization from DMH prior to deviating from contracted service levels.**

The billing department has been directed to check monthly and to notify the Director of DMH Programs if billing for particular service levels are exceeding contracted amounts. If the deviations appear to be on-going, GLASS will contact DMH to obtain written authorization for new contract amounts for the service levels in question.

Respectfully submitted:

Teresa DeCrescenzo
Executive Director
GLASS